

Supplemental Report 6

Financial Status of Indianapolis Charter Schools

The Mayor's Office contracted with an outside firm, H.J. Umbaugh & Associates, to study each school's finances. The firm created extensive financial reporting templates to guide this analysis. By using these templates, H.J. Umbaugh & Associates was able to produce financial statements on the schools, in addition to useful financial ratios.

A brief summary of the firm's findings appears in this supplemental report. Indiana's Charter School Law also requires each school to submit to an audit by the Indiana State Board of Accounts.



August 9, 2004

Mr. David Harris
Director of Charter Schools
Office of the Mayor
2501 City-County Building
200 East Washington Street
Indianapolis, Indiana 46204

Ms. Corrie Conner
Assistant Director of Charter Schools
Office of the Mayor
2501 City County Building
200 East Washington Street
Indianapolis, Indiana 46204

Dear Mr. Harris and Ms. Conner:

At the request of the Mayor's office of the City of Indianapolis, we are writing this report to describe our firm and to summarize our engagement with regard to the Indianapolis Charter Schools.

Umbaugh is a firm of Certified Public Accountants practicing exclusively as independent financial advisors. In existence for over fifty years, Umbaugh is solely devoted to assisting cities, towns, municipal utilities, schools, counties and similar governmental units. Umbaugh is a regional CPA firm with offices in Indianapolis and Plymouth, Indiana.

Umbaugh has been retained by the City of Indianapolis to develop and identify certain performance measures and to compile quarterly special purpose reports directed toward providing information for review and consideration relative to the financial management of the Indianapolis Charter Schools. The reports may help City and Charter School officials evaluate the financial standing of each Charter School. The reports also summarize revenue and spending decisions that help the City of Indianapolis and each Charter School to monitor progress toward the individual goals and objectives of each Charter School.

To that end, we have compiled the following financial information of the 21st Century Charter School, Andrew J. Brown Academy, Christel House Academy, Flanner House Elementary School and Flanner House Higher Learning Center charter schools including supplementary information regarding certain measurements, both financial and non-financial, that can be quantified and reported about each Charter School's performance.

With the exception of the adherence to the prescribed financial reporting standards and the reliance on contributions and grants we note nothing in our reports on financial performance that we wish to emphasize. Each school is required to adopt a financial

Mr. David Harris and Ms. Corrie Conner
City of Indianapolis
August 9, 2004
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reporting model that adheres to the standard set forth by the Indiana State Board of Accounts. This standard enables each school to produce financial reports that allow a thorough analysis of performance and the ongoing monitoring of operation and maintenance costs, debt service, and capital expenditures. We wish to emphasize that as of June 30, 2004, each Charter School was dependent upon non-recurring receipts from contributions and grants to support its operation and maintenance costs.

As of June 30, 2004, each school had received its first installment of local property tax funds. Local property taxes typically pay for a substantial percentage of any public school's (and charter school's) operational costs. In addition to local property taxes, the charter schools received support from state, federal, and private sources that enabled them to operate. Examples of funding sources the schools have received, other than property taxes, are start-up grants from federal Public Charter Schools Program funds, temporary loans from the State's Abandoned Property Fund, grants from the State's Minimum Foundation Program and donations from private sources. The schools also received state and federal funds for special education, food service, computer support, and textbook reimbursement programs.



Guide to the Financial Statements

The Cash Receipts and Disbursements by Fund Type reports are summaries of each school's beginning cash balances, receipts, disbursements and ending cash balances by fund type for a given period of time. The Detail of Cash Receipts and the Detail of Cash Disbursements reports provide detail on the receipts and disbursements for each school. The reports for 21st Century Charter School, Andrew J. Brown Academy and Christel House Academy summarize activity for the twelve months ending June 30, 2004. Flanner House Elementary School and Flanner House Higher Learning Center prepared financial information on a calendar-year basis; thus, information presented for these schools covers the six-month period ended June 30, 2004.

Cash Balances. The beginning cash balance for each fund type is presented on the first line of the schedule. In the case of the Andrew J. Brown Academy, fiscal year 2004 is the first year of operation. Therefore, the beginning balances in all fund groups is zero. The ending balance is computed by adding receipts and subtracting disbursements from the beginning balance.

Fund Types. The report divides financial activity into fund types across the schedule's columns. The first four columns of numbers represent Governmental funds, which are used for the overall operation of the school. Within Governmental funds, the columns further divide financial activity into General (funds available to the school for general purposes), Special Revenue (funds restricted for particular purposes), and Debt Service and Capital Projects (not applicable in any of these statements). The next two columns represent Fiduciary funds, which are funds held by the school for further distribution (such as payroll taxes and employee withholdings). Within Fiduciary funds, all financial activity falls in the Agency column, which represents funds the school obtains and disburses for purposes such as payroll tax and retirement fund withholdings.

Receipts. The report lists sources of funds in the left-hand column under the heading "Receipts."

Local sources

- Special Education: Revenues received for services from the Special Education Cooperative in which the schools participated
- Transportation Receipts: Revenues received from school bus rental fees
- Food Services: Revenues received related to food services

State sources

- Unrestricted Grants-in-Aid: Contributions made by the state to the schools which are unrestricted
- Restricted Grants-in-Aid: Revenues received by the school corporations as grants which can be used for the categorical or specific purpose provided
- Textbook Reimbursements: Revenues received from reimbursement from the state for textbook expenses

Federal sources

- Unrestricted Grants-in-Aid – Direct: Contributions made from federal funds to the school corporation which are unrestricted and are received directly from the federal government
- Unrestricted Grants-in-Aid – through State: Revenues received by the school corporation from federal sources, through a state agency, as grants which can be used for any legal purpose, without restriction
- Restricted Grants-in-Aid – Direct: Amounts of federal aid received directly from the federal agency, the use of which is restricted to a specific purpose

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- Restricted Grants-in-Aid – through State: Amounts of federal aid received through a state agency, the use of which is restricted to a specific purpose

Non-revenue receipts

- Bonds and loans used for improvements, expansions or for other reasons where the school cannot finance the entire cost of a project from available funds on hand

Sale of property, adjustments and refunds

- Proceeds from the sale of property owned by the charter school
- Refunds of overpayments for items such as insurance premiums
- Adjustments for insurance claims and losses

Holding account for employee benefits

- Payroll tax withholdings
- Public Employees' Retirement Fund withholdings
- Teachers' Retirement Fund withholdings

Disbursements. The report lists uses of funds in the left-hand column under the heading "Disbursements."

Instruction

- Expenses for regular elementary school programs
- Expenses for programs related to learning disabilities
- Expenses for other special educational programs

Support service

- Expenses for student services related to social work, guidance, and health
- Expenses for instruction, curriculum development, staff training, and educational media
- Expenses for administrative items such as legal services, financial accounting, facilities acquisition and construction, facility operation and maintenance, student transportation, food services, and technology support and maintenance

Community services

- Expenses primarily for child care services, but may also include other community-related activities such as civic service and latch key programs

Debt service

- Disbursements related to principal and interest on debt for items such as school buses, buildings and other improvements financed through borrowing

INDIANAPOLIS CHARTER SCHOOLS
- 21st Century Charter School -

CASH RECEIPTS AND DISBURSEMENTS BY FUND TYPE

For the fiscal year ended June 30, 2004.

(Unaudited)

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals</u>
	<u>General</u>	<u>Special Receipts</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Cash and Investments, July 1, 2003	\$ 80,618	\$ 84,732	\$ 15,283	\$ 180,633
Receipts:				
Local sources	311,726	30,476	-	342,202
State sources	783,191	24,551	-	807,742
Federal sources	-	245,100	-	245,100
Loans	143,923	-	-	143,923
Sale of property, adjustments and refunds	1,330	-	-	1,330
Holding account for employee benefits (net)	-	-	(11,325)	(11,325)
Total Receipts	1,240,170	300,127	(11,325)	1,528,972
Disbursements:				
Instruction	401,638	100,951	-	502,589
Support services	782,508	186,192	-	968,700
Community services	472	-	-	472
Debt service	94,466	-	-	94,466
Total Disbursements	1,279,084	287,143	-	1,566,227
Net Receipts/(Disbursements)	(38,914)	12,984	(11,325)	(37,255)
Cash and Investments, June 30, 2004	\$ 41,704	\$ 97,716	\$ 3,958	\$ 143,378

INDIANAPOLIS CHARTER SCHOOLS
- 21st Century Charter School -

DETAIL OF CASH RECEIPTS
For the fiscal year ended June 30, 2004.
(Unaudited)

RECEIPTS:

LOCAL SOURCES:

Property taxes	\$ 164,808
Special education (Co-op)	1,787
Transportation receipts (school bus rental)	5,906
Food services	30,476
Other	<u>139,225</u>

Total Receipts From Local Sources	<u>342,202</u>
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STATE SOURCES:

Unrestricted grants-in-aid	799,376
Restricted grants-in-aid	6,124
Textbook reimbursements	<u>2,242</u>

Total Receipts from State Sources	<u>807,742</u>
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FEDERAL SOURCES:

Unrestricted grants-in-aid - through state	14,207
Restricted grants-in-aid - through state	212,392
Other	<u>18,501</u>

Total Receipts From Federal Sources	<u>245,100</u>
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OTHER RECEIPTS:

Temporary loans	<u>143,923</u>
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SALE OF PROPERTY, ADJUSTMENTS AND REFUNDS:

Refunds	<u>1,330</u>
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PAYROLL WITHHOLDINGS (NET):

Payroll tax withholdings	(210)
PERF withholdings	(6,642)
TERF withholdings	<u>(4,473)</u>

Total Payroll Withholdings	<u>(11,325)</u>
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Total Operating Receipts	<u><u>\$ 1,528,972</u></u>
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INDIANAPOLIS CHARTER SCHOOLS
- 21st Century Charter School -

DETAIL OF CASH DISBURSEMENTS
For the fiscal year ended June 30, 2004.
(Unaudited)

DISBURSEMENTS:

INSTRUCTION:

Regular programs	\$ 501,600
Special education programs	989
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Total Instruction Disbursements	502,589
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SUPPORT SERVICES:

Pupils	66,090
Instruction staff	600
General administration	32,513
School administration	153,335
Business	561,326
Centralized support	154,836
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Total Support Services	968,700
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COMMUNITY SERVICES:

Other community services	472
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DEBT SERVICE:

Principal paid on debt	84,214
Interest paid on debt	10,252
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Total Debt Service	94,466
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Total Disbursements	\$ 1,566,227
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INDIANAPOLIS CHARTER SCHOOLS

- Andrew J. Brown Academy -

CASH RECEIPTS AND DISBURSEMENTS BY FUND TYPE (1)

For the fiscal year ended June 30, 2004.

(Unaudited)

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Receipts</u>	
Cash and Investments, July 1, 2003	\$ -	\$ -	\$ -
Receipts:			
Local sources	1,369,859	17,904	1,387,763
State sources	1,493,574		1,493,574
Federal sources	<u>252,222</u>	<u>35,627</u>	<u>287,849</u>
Total Receipts	<u>3,115,655</u>	<u>53,531</u>	<u>3,169,186</u>
Disbursements:			
Instruction	1,280,482		1,280,482
Support services	<u>1,748,368</u>	<u>117,063</u>	<u>1,865,431</u>
Total Disbursements	<u>3,028,850</u>	<u>117,063</u>	<u>3,145,913</u>
Net Receipts/(Disbursements)	<u>86,805</u>	<u>(63,532)</u>	<u>23,273</u>
Cash and Investments, June 30, 2004	<u><u>\$ 86,805</u></u>	<u><u>\$ (63,532)</u></u>	<u><u>\$ 23,273</u></u>

(1) Information for the Andrew J. Brown Academy was provided by National Heritage Academies. National Heritage Academy is the contract operator of the school.

INDIANAPOLIS CHARTER SCHOOLS

- Andrew J. Brown Academy -

DETAIL OF CASH RECEIPTS (1)

For the fiscal year ended June 30, 2004.

(Unaudited)

RECEIPTS:

LOCAL SOURCES:

Property taxes	\$ 773,805
Food services	17,904
Other	<u>596,054</u>
Total Receipts From Local Sources	<u>1,387,763</u>

STATE SOURCES:

Unrestricted grants-in-aid	1,437,066
Restricted grants-in-aid	11,502
Textbook reimbursements	15,253
Special education alternative services	<u>29,753</u>
Total Receipts from State Sources	<u>1,493,574</u>

FEDERAL SOURCES:

Unrestricted grants-in-aid - direct	144,120
Unrestricted grants-in-aid - through state	35,627
Restricted grants-in-aid - through state	<u>108,102</u>
Total Receipts From Federal Sources	<u>287,849</u>
Total Operating Receipts	<u><u>\$ 3,169,186</u></u>

(1) Information for the Andrew J. Brown Academy was provided by National Heritage Academies. National Heritage Academy is the contract operator of the school.

INDIANAPOLIS CHARTER SCHOOLS

- Andrew J. Brown Academy -

DETAIL OF CASH DISBURSEMENTS (1)

For the fiscal year ended June 30, 2004.

(Unaudited)

DISBURSEMENTS:

INSTRUCTION:

Regular programs	\$ 1,172,050
Special education programs	<u>108,432</u>

Total Instruction Disbursements	<u>1,280,482</u>
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SUPPORT SERVICES:

Pupils	5,184
Instruction staff	97,259
General administration	316,344
School administration	171,010
Business	44,022
Food services	117,063
Centralized support	140,786
Operations and maintenance	<u>973,763</u>

Total Support Services	<u>1,865,431</u>
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Total Disbursements	<u><u>\$ 3,145,913</u></u>
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(1) Information for the Andrew J. Brown Academy was provided by National Heritage Academies. National Heritage Academy is the contract operator of the school.

INDIANAPOLIS CHARTER SCHOOLS
- Christel House Academy -

CASH RECEIPTS AND DISBURSEMENTS BY FUND TYPE

For the fiscal year ended June 30, 2004.

(Unaudited)

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals</u>
	<u>General</u>	<u>Special Receipts</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Cash and Investments, July 1, 2003	\$ 453,161	\$ 30,518	\$ (1,195)	\$ 482,484
Receipts:				
Local sources	1,533,164	37,435	-	1,570,599
State sources	1,377,843	17,168	-	1,395,011
Federal sources	-	345,560	-	345,560
Sale of property, adjustments and refunds	2,605	-	-	2,605
Holding account for employee benefits (net)	-	-	1,195	1,195
Total Receipts	<u>2,913,612</u>	<u>400,163</u>	<u>1,195</u>	<u>3,314,970</u>
Disbursements:				
Instruction	1,083,964	154,751	-	1,238,715
Support services	2,256,326	219,585	-	2,475,911
Community services	360	1,297	-	1,657
Total Disbursements	<u>3,340,650</u>	<u>375,633</u>	<u>-</u>	<u>3,716,283</u>
Net Receipts/(Disbursements)	<u>(427,038)</u>	<u>24,530</u>	<u>1,195</u>	<u>(401,313)</u>
Cash and Investments, June 30, 2004	<u>\$ 26,123</u>	<u>\$ 55,048</u>	<u>\$ -</u>	<u>\$ 81,171</u>

INDIANAPOLIS CHARTER SCHOOLS
- Christel House Academy -

DETAIL OF CASH RECEIPTS
For the fiscal year ended June 30, 2004.
(Unaudited)

RECEIPTS:

LOCAL SOURCES:

Property taxes	\$ 301,670
Special education (Co-op)	30,129
Food services	21,680
Pupil activities	4,740
Other	<u>1,212,380</u> (1)
Total Receipts From Local Sources	<u>1,570,599</u>

STATE SOURCES:

Unrestricted grants-in-aid	1,365,263
Restricted grants-in-aid	14,136
Textbook reimbursements	<u>15,612</u>
Total Receipts from State Sources	<u>1,395,011</u>

FEDERAL SOURCES:

Unrestricted grants-in-aid - through state	113,486
Restricted grants-in-aid - through state	230,287
Other	<u>1,787</u>
Total Receipts From Federal Sources	<u>345,560</u>

SALE OF PROPERTY, ADJUSTMENTS AND REFUNDS:

Refunds	<u>2,605</u>
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PAYROLL WITHHOLDINGS (NET):

Payroll tax withholdings	(202)
PERF withholdings	<u>1,397</u>
Total Payroll Withholdings	<u>1,195</u>

Total Operating Receipts	<u><u>\$ 3,314,970</u></u>
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(1) This amount includes private donations and contributions from outside sources.

INDIANAPOLIS CHARTER SCHOOLS
- Christel House Academy -

DETAIL OF CASH DISBURSEMENTS
For the fiscal year ended June 30, 2004.
(Unaudited)

DISBURSEMENTS:

INSTRUCTION:

Regular programs	\$ 1,184,289
Special education programs	<u>54,426</u>
Total Instruction Disbursements	<u>1,238,715</u>

SUPPORT SERVICES:

Pupils	11,611
Instruction staff	58,773
General administration	90,775
School administration	213,817
Business	1,773,045
Centralized support	<u>327,890</u>
Total Support Services	<u>2,475,911</u>

COMMUNITY SERVICES:

Direction of community services	35
Other community services	<u>1,622</u>
Total Community Services	<u>1,657</u>

Total Disbursements	<u><u>\$ 3,716,283</u></u>
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INDIANAPOLIS CHARTER SCHOOLS
- Flanner House Elementary School -

CASH RECEIPTS AND DISBURSEMENTS BY FUND TYPE
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Unaudited)

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Receipts</u>	<u>Agency</u>	
Cash and Investments, January 1, 2004	\$ 5,130	\$ 146,511	\$ 1,771	\$ 153,412
Receipts:				
Local sources	244,505	23,526	-	268,031
State sources	301,532	6,160	-	307,692
Federal sources	-	177,612	-	177,612
Holding account for employee benefits (net)	-	-	8,335	8,335
Total Receipts	546,037	207,298	8,335	761,670
Disbursements:				
Instruction	223,501	18,220	-	241,721
Support services	335,637	91,709	-	427,346
Total Disbursements	559,138	109,929	-	669,067
Net Receipts/(Disbursements)	(13,101)	97,369	8,335	92,603
Cash and Investments, June 30, 2004	\$ (7,971)	\$ 243,880	\$ 10,106	\$ 246,015

INDIANAPOLIS CHARTER SCHOOLS

- Flanner House Elementary School -

DETAIL OF CASH RECEIPTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Unaudited)

RECEIPTS:

LOCAL SOURCES:

Property taxes	\$ 169,734
Food services	2,045
Other	96,252

Total Receipts From Local Sources	268,031
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STATE SOURCES:

Unrestricted grants-in-aid	301,532
Restricted grants-in-aid	1,375
Textbook reimbursements	4,785

Total Receipts from State Sources	307,692
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FEDERAL SOURCES:

Unrestricted grants-in-aid - through state	26,193
Restricted grants-in-aid - through state	149,539
Other	1,880

Total Receipts From Federal Sources	177,612
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PAYROLL WITHHOLDINGS (NET):

Payroll tax withholdings	18,312
PERF withholdings	(1,269)
TERF withholdings	(8,708)

Total Payroll Withholdings	8,335
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Total Operating Receipts	\$ 761,670
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INDIANAPOLIS CHARTER SCHOOLS

- Flanner House Elementary School -

DETAIL OF CASH DISBURSEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2004

(Unaudited)

DISBURSEMENTS:

INSTRUCTION:

Regular programs	\$ 241,721
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SUPPORT SERVICES:

General administration	30,293
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School administration	32,065
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Business	300,648
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Centralized support	64,340
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Total Support Services	427,346
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Total Disbursements	\$ 669,067
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INDIANAPOLIS CHARTER SCHOOLS
- Flanner House Higher Learning Center -

CASH RECEIPTS AND DISBURSEMENTS BY FUND TYPE
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Unaudited)

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Receipts</u>	<u>Agency</u>	
Cash and Investments, January 1, 2004	\$ (106,296)	\$ 142,676	\$ (8,489)	\$ 27,891
Receipts:				
Local sources	139,263	-	-	139,263
State sources	234,568	15,219	-	249,787
Federal sources	-	130,275	-	130,275
Sale of property, adjustments and refunds	14,414	-	-	14,414
Holding account for employee benefits (net)	-	-	12,173	12,173
Total Receipts	<u>388,245</u>	<u>145,494</u>	<u>12,173</u>	<u>545,912</u>
Disbursements:				
Instruction	71,362	5,125	-	76,487
Support services	<u>260,270</u>	<u>106,849</u>	<u>-</u>	<u>367,119</u>
Total Disbursements	<u>331,632</u>	<u>111,974</u>	<u>-</u>	<u>443,606</u>
Net Receipts/(Disbursements)	<u>56,613</u>	<u>33,520</u>	<u>12,173</u>	<u>102,306</u>
Cash and Investments, June 30, 2004	<u>\$ (49,683)</u>	<u>\$ 176,196</u>	<u>\$ 3,684</u>	<u>\$ 130,197</u>

INDIANAPOLIS CHARTER SCHOOLS
- Flanner House Higher Learning Center -

DETAIL OF CASH RECEIPTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Unaudited)

RECEIPTS:

LOCAL SOURCES:

Property taxes	\$ 139,263
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STATE SOURCES:

Unrestricted grants-in-aid	233,968
Restricted grants-in-aid	6,540
Textbook reimbursements	9,279

Total Receipts from State Sources	249,787
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FEDERAL SOURCES:

Unrestricted grants-in-aid - direct	57,854
Restricted grants-in-aid - through state	72,421

Total Receipts From Federal Sources	130,275
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SALE OF PROPERTY, ADJUSTMENTS AND REFUNDS:

Refunds	14,414
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PAYROLL WITHHOLDINGS (NET):

Payroll tax withholdings	9,405
Payroll tax withholdings	2,768

Total Payroll Withholdings	12,173
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Total Operating Receipts	\$ 545,912
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INDIANAPOLIS CHARTER SCHOOLS
- Flanner House Higher Learning Center -

DETAIL OF CASH DISBURSEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Unaudited)

DISBURSEMENTS:

INSTRUCTION:

Regular programs	\$ 76,487
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SUPPORT SERVICES:

Pupils	16,500
Instruction staff	1,660
School administration	126,904
Business	187,456
Centralized support	34,599

Total Support Services	367,119
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Total Disbursements	\$ 443,606
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